

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Marshall Township</u>	County Calhoun
Audit Date March 31, 2005	Opinion Date June 13, 2005	Date Accountant Report Submitted To State: September 6, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 750 Trade Center Way, Suite 300	City Portage	State MI	ZIP 49002
Accountant Signature <i>Plante & Moran, PLLC</i>			

September 1, 2005

To the Members of the Marshall Township Board
Marshall, MI 49068

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of Marshall Township (the "Township") for the year ended March 31, 2005, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

Bank Reconciliations

The Township is now attempting to prepare bank reconciliations on the bank accounts throughout the year; however, they were not completely correct. To verify the Township cash balance on a monthly basis, we recommend the Township continue to improve the process adopted to balance between the amount on the general ledger and the balance reported by the bank.

Tax Disbursements and Receipts

Currently, the Township treasurer receives and disburses tax funds; in addition, the treasurer is responsible for reconciling the tax account bank statement. This creates a lack of segregation of duties. To strengthen internal controls, we recommend the Township look into ways to involve other members of the business office in preparing and/or reviewing the bank reconciliations.

Journal Entries

The Township currently has no policy in place requiring that journal entries be approved. We recommend the Township adopt a policy and procedures that require prior approval on journal entries. This approval process can take place prior to posting journal entries to the general ledger or after monthly close as part of the month-end financial review by the board. Again, this will also give the Township an added level of internal control.

Thank you for the opportunity to perform your audit, and please contact us for any further assistance.

Very truly yours,

Plante & Moran, PLLC

Plante & Moran, PLLC

A member of



A worldwide association of independent accounting firms

Township of Marshall Calhoun County, Michigan

**Financial Report
with Additional Information
March 31, 2005**

Township of Marshall

Contents

Report Letter	I
Management's Discussion and Analysis	2-5
Basic Financial Statements	
Statement of Net Assets	6
Statement of Activities	7
Balance Sheet	8
Statement of Revenue, Expenditures, and Changes in Fund Balances	9
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Notes to Financial Statements	11-18
Required Supplemental Information	
General Fund - Budgetary Comparison Schedule	19-21
Note to Budgetary Comparison Schedule	22



Plante & Moran, PLLC

Suite 300
750 Trade Centre Way
Portage, MI 49002
Tel: 269.567.4500
Fax: 269.567.4501
plantemoran.com

Independent Auditor's Report

To the Members of the Board
Township of Marshall

We have audited the accompanying basic financial statements of the Township of Marshall as of March 31, 2005 and for the year then ended, as listed in the table of contents. These basic financial statements are the responsibility of the Township of Marshall's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Township of Marshall as of March 31, 2005 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

As described in Note 9, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

Plante & Moran, PLLC

June 13, 2005

A member of



A worldwide association of independent accounting firms

Township of Marshall

Management's Discussion and Analysis

Our discussion and analysis of the Township of Marshall's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2005:

- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$10,000 this year.
- Total net assets related to the Township's governmental activities decreased by approximately \$113,000.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

Township of Marshall

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows the net assets as of the current date and comparisons when prior year information is available:

Assets

Current assets	\$ 508,768
Capital assets - Net of accumulated depreciation	<u>789,774</u>
Total assets	1,298,542

Liabilities

Current liabilities	49,247
Long-term debt	<u>110,000</u>
Total liabilities	<u>159,247</u>

Net Assets

Investment in capital assets - Net of debt	639,774
Restricted for Metro Act	3,786
Unrestricted	<u>495,735</u>
Total net assets	<u><u>\$ 1,139,295</u></u>

The Township's financial position has neither improved nor deteriorated during the year, despite the continued erosion of state revenue sharing, which accounts for a sizeable percentage of General Fund revenues.

Township of Marshall

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current year and comparisons when prior year information is available:

Revenue

Program revenue - Charges for services	\$ 78,517
General revenue:	
Property taxes	152,585
State-shared revenue	195,720
Unrestricted investment earnings	<u>9,101</u>
Total revenue	435,923

Program Expenses

General government	196,864
Public safety	313,344
Street expenditures	9,575
Planning and zoning	<u>29,449</u>
Total program expenses	<u>549,232</u>

Change in Net Assets \$ (113,309)

The Township's tax base continues to grow at a rate slightly ahead of inflation. There have been no significant economic events affecting the tax base nor are any anticipated outside of the potential impact of the proposed Native American casino, which is proposed for a site just one mile west of the Township's western border. Should the federal court clear the way from remaining legal challenges as anticipated this fall, construction could begin early next year. The Township Planning Commission is considering impact on development, especially commercial development.

Governmental Activities

In the prior year, the township board adopted a resolution directing use of fund balance. Much of the fund balance has been designated for years to assist with "evening out" the expense of fire apparatus replacement and upgrading as well as improvements to the warning siren system.

General Fund Budgetary Highlights

There were no unanticipated significant variances between the original budget and the final budget. We did experience some unanticipated additional expenses for maintenance of existing fire apparatus; however, the fund balance was more than adequate to meet the expenses involved.

Township of Marshall

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

Aside from payments for the newest fire truck and the approval in May 2005 of replacement of the current three warning sirens and adding three additional sirens on a three-year payment plan, we are planning for the possible addition of a fire substation in the northeasterly section of the Township and for the replacement of one of the current fire trucks. We will do so only after assuring maintenance of a sufficient fund reserve and that recurring operational expenses can be met within current resources.

Economic Factors and Next Year's Budgets and Rates

Aside from the items disclosed above, we have no reason to believe that the Township will experience a change in its financial position or results of operations.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Township of Marshall

Statement of Net Assets March 31, 2005

Assets

Cash and investments (Note 2)	\$ 501,682
Delinquent taxes receivable	7,086
Capital assets - Net of accumulated depreciation (Note 3)	<u>789,774</u>
Total assets	1,298,542

Liabilities

Due to other governmental units	657
Accounts payable	6,690
Other current liabilities	1,900
Noncurrent liabilities (Note 4):	
Due within one year	40,000
Due in more than one year	<u>110,000</u>
Total liabilities	<u>159,247</u>

Net Assets

Investment in capital assets - Net of debt	639,774
Restricted for Metro Act	3,786
Unrestricted	<u>495,735</u>
Total net assets	<u><u>\$ 1,139,295</u></u>

Township of Marshall

Statement of Activities Year Ended March 31, 2005

		Program Revenues	Net (Expense) Revenue and Changes in Net Assets
			Total Primary Government
	Expenses	Charges for Services	Governmental Activities
Functions/Programs			
Primary government:			
Governmental activities:			
General government	\$ 196,864	\$ 34,821	\$ (162,043)
Public safety	313,344	43,696	(269,648)
Street expenditures	9,575	-	(9,575)
Planning and zoning	29,449	-	(29,449)
Total primary government	<u>\$ 549,232</u>	<u>\$ 78,517</u>	(470,715)
General revenues:			
Property taxes			152,585
State-shared revenues			195,720
Unrestricted investment earnings			9,101
Total general revenues			<u>357,406</u>
Change in Net Assets			(113,309)
Net Assets - Beginning of year			<u>1,252,604</u>
Net Assets - End of year			<u>\$ 1,139,295</u>

Township of Marshall

Governmental Funds Balance Sheet March 31, 2005

Assets

Cash and investments (Note 2)	\$ 501,682
Delinquent taxes receivable	<u>7,086</u>
Total assets	<u><u>\$ 508,768</u></u>

Liabilities and Fund Balances

Liabilities

Due to other governmental units	\$ 657
Accounts payable	6,690
Other current liabilities	<u>1,900</u>
Total liabilities	9,247

Fund Balances

Designated (Note 5)	139,517
Reserved for Metro Act	3,786
Undesignated	<u>356,218</u>
Total fund balance	<u>499,521</u>

Total liabilities and fund balance	<u><u>\$ 508,768</u></u>
------------------------------------	--------------------------

Fund Balance - Total governmental funds	\$ 499,521
Long-term liabilities not due and payable in the current period and are not reported in the funds	(150,000)
Capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>789,774</u>
Total	<u><u>\$ 1,139,295</u></u>

Township of Marshall

Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances Year Ended March 31, 2005

	<u>General Fund</u>
Revenue	
Taxes	\$ 152,585
Licenses and permits	43,696
State sources	195,720
Charges for services	34,821
Interest	<u>9,101</u>
Total revenue	435,923
Expenditures	
General government	195,100
Public safety	229,044
Street expenditures	9,575
Planning and zoning	<u>29,449</u>
Total expenditures	<u>463,168</u>
Excess of Expenditures Over Revenue	(27,245)
Fund Balances - Beginning of year	<u>526,766</u>
Fund Balances - End of year	<u><u>\$ 499,521</u></u>

Township of Marshall

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ (27,245)
---	--------------------

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	(126,064)
--	-----------

Repayment of debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>40,000</u>
--	---------------

Change in Net Assets of Governmental Activities	<u>\$ (113,309)</u>
--	----------------------------

Township of Marshall

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Township of Marshall, Michigan (the "Township") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Township is governed by an elected five-member board of trustees. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

The Township is a member of the Marshall Area Firefighters Ambulance Authority (the "Authority"). The Authority receives a millage to provide emergency medical services to the Township along with other townships and cities that are part of the Authority. The Township does not have an equity interest in the Authority.

Government-wide and Fund Financial Statements

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

For the most part, the effect of interfund activity has been removed from these statements.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

Township of Marshall

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, property taxes, and interest associated with the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental fund:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2003 tax is levied and collectible on December 1, 2004 and is recognized as revenue in the year ended March 31, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2003 taxable valuation of the Township totaled \$101 million, on which taxes levied consisted of .8132 mills for operating purposes. This resulted in \$82,000 for operating and \$9,000 for street lights. These amounts are recognized in the General Fund financial statements as tax revenue.

Township of Marshall

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land improvements	20 years
Building and improvements	10-40 years
Equipment	5-10 years

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Township of Marshall

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs.

The Township's deposits and investments included on the balance sheet are comprised of the following items.

Cash and cash equivalents	\$ 186,392
Certificates of deposit	169,219
Money market fund	<u>146,071</u>
Total	<u>\$ 501,682</u>

This money market investment is not categorized as to risk because it is not evidenced by any securities that exist in physical or book entry form. These investments are registered with the SEC.

Township of Marshall

Notes to Financial Statements March 31, 2005

Note 2 - Deposits and Investments (Continued)

The Township's cash and investments at March 31, 2005 consist solely of deposits with financial institutions and a money market investment with a brokerage firm. The bank deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$362,699, of which \$268,754 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits at all times during the year. The Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Capital Assets

A summary of changes in capital assets follows:

	Balance April 1, 2004	Additions	Disposals and Adjustments	Balance March 31, 2005
Governmental Activities				
Capital assets being depreciated:				
Land improvements	\$ 15,590	\$ 10,228	\$ -	\$ 25,818
Buildings and improvements	155,190	-	-	155,190
Equipment	908,778	-	-	908,778
Subtotal	1,079,558	10,228	-	1,089,786
Accumulated depreciation:				
Land improvements	3,737	1,291		5,028
Buildings and improvements	61,513	3,880	-	65,393
Equipment	98,470	131,121	-	229,591
Subtotal	163,720	136,292	-	300,012
Net capital assets	<u>\$ 915,838</u>	<u>\$ (126,064)</u>	<u>\$ -</u>	<u>\$ 789,774</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 11,992
Public safety	124,300
Total governmental activities	<u>\$ 136,292</u>

Township of Marshall

Notes to Financial Statements March 31, 2005

Note 4 - Long-term Debt

The Township has an installment contract with a bank for \$150,000 outstanding at March 31, 2005 for the purchase of fire equipment. Payments are quarterly, including interest at 2.99 percent. The contract is due in November 2008.

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the Township for the year ended March 31, 2005:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
Installment purchase agreement	2.99%	\$30,000- 40000	<u>\$ 190,000</u>	<u>\$ (40,000)</u>	<u>\$ 150,000</u>	<u>\$ 40,000</u>

Debt Service Requirements

The annual debt service requirements are as follows:

Years Ending March 31	Principal	Interest	Total
2006	\$ 40,000	\$ 4,036	\$ 44,036
2007	40,000	2,840	42,840
2008	40,000	1,644	41,644
2009	<u>30,000</u>	<u>448</u>	<u>30,448</u>
Total	<u>\$ 150,000</u>	<u>\$ 8,968</u>	<u>\$ 158,968</u>

Note 5 - Designated Fund Balance

The fund balance of the General Fund has been designated for the following purposes:

Township development	\$ 23,000
Fire truck and equipment	<u>116,517</u>
Total	<u>\$ 139,517</u>

Township of Marshall

Notes to Financial Statements March 31, 2005

Note 6 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits. The Township has purchased commercial insurance for these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

Note 7 - Construction Fees

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for services. The law requires that the collection of these fees be used for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Permit charges	\$ 39,844
Inspector fees	<u>(54,841)</u>
Revenue over expenditures	(14,997)
Beginning balance of reserve	<u>6,120</u>
Ending balance of reserve	<u><u>\$ (8,877)</u></u>

Note 8 - Defined Contribution Retirement Plan

The Township provides retirement benefits to all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township board, the Township contributes 3 percent of employees' gross earnings for employees with wages greater than \$5,000 during the fiscal year. In accordance with these requirements, the Township contributed \$2,187 during the year ended March 31, 2005.

Township of Marshall

Notes to Financial Statements March 31, 2005

Note 9 - Accounting and Reporting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Township has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). The Township has elected to implement the general provisions of the statement in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Township's activities
- A change in the fund financial statements to focus on the major funds
- Capital assets in the governmental activities column of the statement of net assets totaling \$1,079,558 that would previously have been reported in the General Fixed Assets Account Group
- The governmental activities column includes long-term obligations totaling \$150,000 previously reported in the General Long-term Debt Account Group.

Note 10 - Subsequent Event

Subsequent to March 31, 2005, the Township financed the purchase of six sirens through a three-year installment plan for approximately \$101,000.

Required Supplemental Information

Township of Marshall

Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable) with Amended Budget
Revenue				
Taxes	\$ 149,000	\$ 149,000	\$ 152,585	\$ 3,585
Licenses and permits	57,580	57,580	43,696	(13,884)
State sources	198,100	198,100	195,720	(2,380)
Charges for services	19,000	19,000	34,821	15,821
Interest	5,100	5,100	9,101	4,001
Other	69,527	69,527	-	(69,527)
Total revenue	498,307	498,307	435,923	(62,384)
Expenditures				
General government:				
Supervisor:				
Salary	-	-	12,245	-
Payroll taxes	-	-	937	-
Total supervisor	13,500	13,500	13,182	318
Clerk:				
Salary	-	-	18,000	-
Deputy clerk	-	-	1,080	-
Payroll taxes	-	-	1,842	-
Education	-	-	1,711	-
Other	-	-	1,017	-
Total clerk	24,600	24,600	23,650	950
Treasurer:				
Salary	-	-	17,425	-
Payroll taxes	-	-	1,333	-
Other	-	-	833	-
Total treasurer	19,000	19,500	19,591	(91)
Township board:				
Salaries	-	-	5,392	-
Payroll taxes	-	-	413	-
Pension	-	-	24	-
Memberships and dues	-	-	2,370	-
Supplies	-	-	3,717	-
Insurance and bonds	-	-	29,934	-
Professional services	-	-	20,385	-
Postage	-	-	2,302	-
Repair and maintenance	-	-	21	-
Other	-	-	2,020	-
Total township board	57,000	65,000	66,578	(1,578)

Township of Marshall

Required Supplemental Information Budgetary Comparison Schedule (Continued) General Fund Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable) with Amended Budget
Expenditures (Continued)				
General government (Continued):				
Township Hall:				
Salary	\$ -	\$ -	\$ 5,328	\$ -
Payroll taxes	-	-	408	-
Repair and maintenance	-	-	18,147	-
Telephone	-	-	2,271	-
Gas and electric	-	-	7,361	-
Office supplies	-	-	1,735	-
Office equipment	-	-	234	-
Snow removal	-	-	849	-
Lawn care	-	-	3,210	-
Total Township Hall	44,000	38,000	39,543	(1,543)
Elections:				
Salary	-	-	8,104	-
Payroll taxes	-	-	9	-
Other	-	-	3,008	-
Total elections	12,900	12,900	11,121	1,779
General services:				
Board of Review	1,600	1,600	2,053	-
Cemetery	4,200	2,000	2,158	-
Total general services	5,800	3,600	4,211	(611)
Assessor:				
Assessor and tax roll preparation	-	-	16,186	-
Office supplies	-	-	845	-
Other	-	-	193	-
Total assessor	19,000	18,015	17,224	791
Total general government	195,800	195,115	195,100	15
Public safety:				
Fire protection:				
Salaries	-	-	74,622	-
Payroll taxes	-	-	5,725	-
Operating supplies and maintenance	-	-	17,472	-
Mileage	-	-	48	-
Other	-	-	10,629	-
Capital outlay	-	-	64,128	-
Membership and dues	-	-	415	-
Utilities	-	-	1,164	-
Total fire protection	208,715	212,000	174,203	37,797

Township of Marshall

Required Supplemental Information Budgetary Comparison Schedule (Continued) General Fund Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable) with Amended Budget
Expenditures (Continued)				
Public safety (Continued):				
Inspection:				
Salaries	\$ -	\$ -	\$ 15,574	\$ -
Building inspector	-	-	16,649	-
Plumbing inspector	-	-	4,951	-
Mechanical inspector	-	-	5,276	-
Electrical inspector	-	-	7,815	-
Payroll taxes	-	-	4,284	-
Miscellaneous	-	-	292	-
Total inspection	49,500	49,500	54,841	(5,341)
Total public safety	258,215	261,500	229,044	32,456
Street:				
Utilities - Lighting	-	-	8,827	-
Street care	-	-	748	-
Total street	21,800	11,800	9,575	2,225
Planning and zoning:				
Planning and zoning consultant	-	-	5,420	-
Board salaries	-	-	5,180	-
Administrative salaries	-	-	15,574	-
Payroll taxes	-	-	1,588	-
Supplies and other	-	-	1,687	-
Total planning and zoning	22,500	29,700	29,449	251
Total expenditures	498,315	498,115	463,168	34,947
Excess (Deficiency) of Revenue Over Expenditures	(8)	192	(27,245)	(27,437)
Fund Balance - Beginning of year	526,766	526,766	526,766	-
Fund Balance - End of year	<u>\$ 526,758</u>	<u>\$ 526,958</u>	<u>\$ 499,521</u>	<u>\$ (27,437)</u>

Township of Marshall

Note to Budgetary Comparison Schedule Year Ended March 31, 2005

Note - Stewardship

The annual budget is prepared by the Township treasurer and presented to the board by the supervisor. The annual budget is adopted by the Township board and subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2005 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (General Fund - Budgetary comparison schedule) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual expenditures to the General Fund budget, as adopted by the Township board, is included in the additional information. This comparison includes expenditure budget overruns. The Township had the following significant budget overrun during the year:

	Amended Budget	Actual
Public safety - Inspection	\$ 49,500	\$ 54,841